

REPORT OF THE AUDITOR-GENERAL TO THE LIMPOPO PROVINCIAL LEGISLATURE AND THE COUNCIL OF EPHRAIM MOGALE LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the Ephraim Mogale Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2013, the statements of financial performance, changes in net assets and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2012 (Act No. 5 of 2012) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer opinion

Accumulation of material uncorrected misstatements

4. The financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial position, the statement of financial performance and the notes to the financial statements:
 - Inventories reflected as R644 660 is understated by R783 292
 - Accumulated surplus reflected as R890 958 479 is overstated by R1 057 807
 - Repairs and maintenance reflected as R6 245 234 is understated by R318 158
 - Expenditure reflected as R154 231 412 is overstated by R683 470

As a result, I was unable to determine whether any further adjustments to these elements were necessary.

Property, plant and equipment

5. Section 84(1)(f) of the Municipal Structures Act, 1998 (Act No. 117 of 1998) states that the district municipality has the powers and function with regards to municipal roads which form an integral part of a road transport system for the area of the district municipality as a whole. I was unable to obtain sufficient appropriate audit evidence that management has properly accounted for all roads as the municipality did not have systems and procedures in place to assess the rights and ownership thereof. I was unable to confirm the roads infrastructure by alternative means. Consequently, I was unable to determine whether any adjustment to roads infrastructure stated at R712 873 275 (2012: R779 947 312) in the financial statements was

necessary.

6. The municipality did not separately depreciate items of property, plant and equipment in accordance with SA Standards of GRAP 17, *Property, plant and equipment*. Included in property plant and equipment of R712 873 275 as disclosed in note 5 to the financial statements, is a balance of R65 831 263 of infrastructure assets that have not been depreciated separately as these assets were not unbundled. Consequently, I was unable to determine whether any adjustment to property, plant and equipment stated at R712 873 275 (2012: R779 947 312) in the financial statements was necessary.
7. The municipality did not depreciate items of property, plant and equipment on a systematic basis over its useful life in accordance with SA Standards of GRAP 17, *Property, plant and equipment*. I have identified differences to the amount of R3 579 409 in the depreciation expense per my calculation and the depreciation expense calculated by the municipality. Consequently, depreciation of R37 802 337 (2012: R34 079 216) as disclosed in note 5 to the financial statements is overstated by R3 579 409.
8. I identified projects that were still in progress that was included in the underlying accounting records as completed projects. In addition, depreciation has been incorrectly calculated on these assets. Consequently, I was unable to determine whether any adjustment to property, plant and equipment and depreciation stated at R712 873 275 (2012: R718 987 455) and R37 802 337 (2012: R34 079 216) respectively in the financial statements was necessary.
9. I identified land and buildings that were not recorded in the underlying accounting records of the municipality. I was unable to confirm the land and buildings by alternative means. Consequently I was unable to determine whether any adjustment relating to the land and buildings stated at R32 248 028 (2012: R30 595 088) in the financial statements was necessary.
10. I identified unexplained differences in additions to property, plant and equipment between the fixed asset register and supporting documentation to the amount of R2 498 033. In addition, I was unable to obtain sufficient appropriate audit evidence for additions to property, plant and equipment to the amount of R35 084 161 (2012: R18 476 088). The municipality's records did not permit the application of alternative procedures regarding this amount. Consequently, I was unable to determine whether any adjustments to the additions to property, plant and equipment were necessary.
11. I identified a significant number of assets that were not included in the fixed asset register of the municipality. In addition, the underlying accounting records of the municipality did not in all instances include the location of movable tangible capital assets to enable me to perform a physical verification of these assets. In addition, assets could also not in all cases be found at their recorded locations. Consequently I was unable to determine whether any adjustment relating to the property, plant and equipment stated at R776 725 074 (2012: R779 947 312) in the financial statements was necessary.
12. I was unable to obtain sufficient appropriate audit evidence about property, plant and equipment to the amount of R7 675 322. I was unable to confirm the additions to property, plant and equipment by alternative means. Consequently I was unable to determine whether any adjustment to property, plant and equipment stated at R776 725 074 (2012: R779 947 312) was necessary.

Solid waste disposal site

13. Section 84(1)(e) of the Municipal Structures Act states that the district municipality has the powers and function with regards to solid waste disposal sites. The district municipality has transferred the powers to the local municipality through *Provincial Gazette No 719*. The municipality did not account for the solid waste disposal site in the financial statements. Consequently, I was unable to determine whether any adjustment relating to property, plant and equipment as well as the provision for the rehabilitation of the solid waste disposal site was necessary.

Investment property

14. I was unable to obtain sufficient appropriate audit evidence for differences identified between the investment property disclosed in the financial statements and the underlying accounting records to the amount of R58 525 000. The municipality's records did not permit the application of alternative procedures regarding this amount. Consequently, I was unable to determine whether any adjustments to the investment property stated at R107 329 000 (2012: R63 917 414) in the financial statements was necessary.
15. I identified land that was not recorded in the underlying accounting records of the municipality. I was unable to confirm the investment property by alternative means. Consequently I was unable to determine whether any adjustment relating to the investment property stated at R107 329 000 (2012: R63 917 414) in the financial statements was necessary.
16. Sufficient appropriate audit evidence for the disposal of investment properties to the amount of R18 758 000 could not be obtained. In addition, I was unable to obtain sufficient appropriate audit evidence for the fair value adjustment on investment properties to the amount of R62 169 586. I was unable to confirm the investment property by alternative means. Consequently I was unable to determine whether any adjustment relating to the investment property stated at R107 329 000 (2012: R63 917 414) in the financial statements was necessary.

Repairs and Maintenance

17. I was unable to obtain sufficient appropriate audit evidence about repairs and maintenance to the amount of R3 352 998. I was unable to confirm the expenditure by alternative means. Consequently I was unable to determine whether any adjustment to repairs and maintenance stated at R6 245 234 (2012: R6 993 698) was necessary.

Contingent liability

18. The municipality has not disclosed a contingent liability in respect of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement. I was unable to confirm the contingent liabilities by alternative means. Consequently, I am unable to determine whether any adjustments to contingent liability stated at R2 137 220 (2012 R2 137 220) in the financial statements was necessary.

Cash and cash equivalents

19. The municipality could not provide sufficient appropriate audit evidence to support the reconciling items of R3 000 658 in respect of cash and cash equivalents. Furthermore, records substantiating an unreconciled balance of R2 584 592 could not be provided for audit. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that cash and cash equivalents were properly recorded. Consequently, I was unable to determine whether any adjustments to cash and cash equivalents stated at R32 429 817 (2012: R13 229 714) disclosed in note 13 to the financial statements was necessary.
20. The municipality did not disclose its accounting policy on cash and cash equivalents in the financial statements as required by the SA Statements of GRAP 1: *Presentation of Financial Statements*.

Cash flow statement

21. I was unable to obtain sufficient appropriate audit evidence for the comparative amount of R8 829 725 in the cash flow statement. The municipality's records did not permit the application of alternative procedures regarding this amount. Consequently, I was unable to determine whether any adjustments to the comparative amount on the cash flow statement were necessary.

Intangible assets

22. The municipality recognise assets meeting the definition of an intangible asset in accordance with SA Standards of GRAP 31, *Intangible assets*. I was unable to obtain sufficient appropriate audit evidence for electricity energising rights that was recognised as intangible assets. Consequently, I was unable to determine whether any adjustment relating to the intangible assets stated at R371 171 in the financial statements was necessary.
23. The municipality did not recognise assets meeting the definition of an intangible asset in accordance with SA Standards of GRAP 31, *Intangible assets*. I identified computer software used by the municipality that were not recognised as intangible assets. Consequently I was unable to determine whether any adjustment relating to the intangible assets stated at R371 171 in the financial statements was necessary.

Value Added Tax

24. The municipality entered into an agency agreement with its district municipality for the provision of water services. As the agent, the municipality has accounted for VAT on the water transactions in contravention with the VAT Act. The municipality also entered in to an agency agreement with the department of roads and transport for the collecting of license fees and issuing licenses and permits on behalf of the provincial government. The municipality did not account for output tax on the commission or agency fees for the services rendered in contravention with the VAT act. The municipality's records did not permit the application of alternative procedures regarding the VAT disclosed in the financial statements. Consequently, I was unable to determine the correct amount of the VAT payable balance of R4 308 571 (2012: R873 785) as disclosed in note 17 to the financial statements.
25. I identified unexplained differences between the VAT returns, the amount disclosed in the financial statements and the amount accounted for in the underlying documents. The municipality's records did not permit the application of alternative procedures regarding the VAT disclosed in the financial statements. Consequently, I was unable to determine the correct amount of the VAT payable balance of R4 308 571(2012: R873 785) as disclosed in note 17 to the financial statements.

Unspent conditional grants

26. The municipality did not account for unspent conditional grants for Finance Management Grant Expanded Public Works Programme, Municipal Infrastructure Grant and Municipal System Improvement Program Grant. The municipality could not provide sufficient appropriate evidence to quantify the unspent conditional grants at year end. Consequently, I am unable to determine whether any adjustments to unspent grants stated at Rnil (2012: R5 728 238) as disclosed in note 14 to the financial statements was necessary.

Employee costs

27. The personnel cost of R39 638 076 (2012: R34 189 395), as disclosed in note 28 to the financial statements, does not agree to the balance of R42 016 817 per the underlying accounting records. The entity did not reconcile the difference of R2 378 741 between the financial statements and the underlying accounting records. Consequently, the personnel cost balance is overstated by R2 378 741. I could not determine the effect on the other account balances or classes of transactions contained in the financial statements.
28. Remuneration of councilors of R9 739 948 (2012: R8 867 091), as disclosed in note 29 to the financial statements, does not agree to the balance of R8 916 893 per the underlying accounting records. The entity did not reconcile the difference of R823 055 between the financial statements and the underlying accounting records. Consequently, the personnel cost balance is overstated by R823 055. I could not determine the effect on the other account balances or classes of transactions contained in the financial statements. In addition, remuneration of ordinary councillors was not disclosed in note 29 to the financial statements.

Payables

29. I identified amounts that were incorrectly accrued at year end to the amount of R1 570 352. In addition, the entity did not account for accruals to the amount of R847 481. The municipality's records did not permit the application of alternative procedures regarding this amount. Consequently I was unable to determine whether any adjustment relating to the payables stated at R12 777 777 (2012: R7 152 829) in the financial statements was necessary.
30. I was unable to obtain sufficient appropriate audit evidence about payables from exchange transactions as the underlying accounting records did not support the amounts disclosed. I was unable to confirm payables from exchange transactions by alternative means. Consequently I was unable to determine whether any adjustments to payables from exchange transactions stated at R20 037 029 (2012: R14 092 491) in the financial statements were necessary.
31. I was unable to obtain sufficient appropriate audit evidence for a journal entry identified in the underlying accounting records amounting to R2 136 145. The municipality's records did not permit the application of alternative procedures regarding this amount. Consequently, I was unable to determine whether any adjustments to the accruals were necessary.

Commitments

32. I was unable to obtain sufficient appropriate audit evidence that the municipality has adequate systems in place to account for all contracts. Consequently, I was unable to determine whether any adjustment to the commitments figure stated at R9 237 944 (2012: R5 278 238) disclosed in note 41 in the financial statements were necessary.
33. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for commitments as disclosed in note 41 to the financial statements. I was unable to confirm the restatement by alternative means. Consequently I was unable to determine whether any adjustment to the commitments corresponding figure stated at R3 537 217 in the financial statements was necessary.

Receivables

34. I was unable to obtain sufficient appropriate audit evidence for credit balances to the amount of R1 081 523 included in receivables from exchange transactions. Consequently, I was unable to determine whether any adjustment to receivables stated at R7 670 857 (2012: R4 436 319) disclosed in note 12 to the financial statements was necessary.

Revenue

35. I was unable to obtain sufficient appropriate audit evidence about fines and licenses received, as internal controls were not established over the collection thereof prior to the initial entry into the financial records. I was unable to confirm whether all fines and licenses were recorded by alternative means. Consequently, I was unable to determine whether any adjustments to fines and licenses stated at R162 321 (2012: R223 424) in the financial statements was necessary.
36. I identified revenue disclosed in the financial statements to the amount of R30 516 286 to recognise expenses relating to grants. Actual expenditure disclosed relating to grant conditions amounted to R24 793 837. The municipality did not reconcile the difference of R5 722 449 between the financial statements and the underlying accounting records. Consequently, the revenue balance is overstated by R5 722 449. I could not determine the effect on the other account balances or classes of transactions contained in the financial statements.

Prior year errors

37. I was unable to obtain sufficient appropriate audit evidence for the correction of prior period errors as described in note 43 to the financial statements. I was unable to confirm the correction of prior period errors by alternative means. Consequently I was unable to determine

whether any adjustment to the related corresponding figures stated at R2 376 506 in the financial statements was necessary.

Related parties

38. Related parties of R14 738 840 (2012: R16 276 253), as disclosed in note 42 to the financial statements, does not agree to the balance of R19 697 055 per the underlying accounting records. The entity did not reconcile the difference of R4 958 215 between the financial statements and the underlying accounting records. Consequently, the related parties balance is overstated by R4 958 215.

Irregular expenditure

39. The municipality did not include particulars of irregular expenditure in note 49 to the financial statements as required by section 125(2)(d) of the MFMA. The municipality made payments in contravention of the supply chain management requirements which were not included in irregular expenditure, resulting in irregular expenditure being understated by R35 097 856 (2012: R61 892 928). The municipality did not have adequate systems in place to identify and report on all irregular expenditure incurred. Consequently I was unable to determine the full extent of the understatement in irregular expenditure as it was impracticable to do so.

Disclaimer of opinion

40. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Emphasis of matter

I draw attention to the matter below. My opinion is not modified in respect of this matter:

Restatement of corresponding figures

41. As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of an error discovered during 2013 in the financial statements of the municipality at, and for the year ended, 30 June 2012.

Additional matters

I draw attention to the matters below. My opinion is not modified in respect of these matters:

Unaudited supplementary schedules

42. The municipality provided supplementary information in the financial statements on whether resources were obtained and used according to the legally adopted budget, in accordance with SA Standards of GRAP 1, *Presentation of financial statements*. The supplementary budget information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. Accordingly, I do not express an opinion thereon.

Withdrawal from the audit engagement

43. Due to the limitation imposed on the scope of the audit by management, I have disclaimed my opinion on the financial statements. But for the legislated requirement to perform the audit of the municipality I would have withdrawn from the engagement in terms of the ISAs.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

44. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

45. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages XX to XX of the annual report.
46. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development priorities or objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury *Framework for managing programme performance information (FMPPi)*.
47. The reliability of the information in respect of the selected development priorities or objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
48. The material findings are as follows:

Usefulness of information

Presentation

Measures taken to improve performance not disclosed

49. Section 46 of the Municipal Systems Act 2000, (Act No. 32 of 2000) (MSA) requires disclosure in the annual performance report of measures taken to improve performance where planned targets were not achieved. Measures to improve performance for a total of 26% of the planned targets not achieved were not reflected in the annual performance report. This was due to a lack of documented and approved internal policies and procedures to address reporting requirements and lack of review of the presentation of the annual performance report by management.

Consistency

Changes to objectives not approved

50. Section 25(2) of the MSA determines that an integrated development plan adopted by a municipal council may be amended in terms of section 34 and remains in force until an integrated development plan is adopted by the next elected council. Therefore, if the integrated development plan is changed in-year this process has to take place in accordance with the process as prescribed per section 34 of the MSA.
51. A total of 36% of development priorities reported in the annual performance report were changed in-year without following the process as prescribed in section 34 of the MSA and without adoption by the council of the municipality. This was due to a lack of documented and approved internal policies and procedures to address reporting requirements and lack of review of the reported performance information by management.

Reliability of information

52. The National Treasury *FMPPi* requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The information presented with respect to electricity, roads and storm water was not reliable when compared to source information and evidence provided. This was due to lack of monitoring of the completeness of source documentation in support of actual achievements and frequent review of validity of reported achievements against source documentation.

Compliance with laws and regulations

53. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Strategic planning and performance management

54. The municipality did not conduct its affairs in a manner which was consistent with its integrated development plan, as required by section 36 of the MSA, section 21(2)(a) of the MFMA and Municipal planning and performance management regulation 6.
55. The performance management system of the municipality did not provide for taking steps to improve performance with regard to those development priorities and objectives where performance targets are not met, as required by section 41 (1)(d) of the MSA. .

Budgets

56. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 87(8) of the MFMA.

Annual financial statements, performance and annual reports

57. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors were not adequately corrected, which resulted in the financial statements receiving a disclaimer audit opinion.

Procurement and contract management

58. Goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations as required by Supply Chain Management (SCM) regulation 17(a) and (c).
59. Quotations were accepted from prospective providers who are not registered on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy in contravention of SCM regulation 16(b) and 17(b).
60. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of 14 days, as required by SCM regulation 22(1) and 22(2).
61. Bids were not always evaluated by bid evaluation committees which were composed of officials from the departments requiring the goods or services and at least one SCM practitioner of the municipality as required by SCM regulation 28(2).
62. Contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of SCM Regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations.
63. Bid adjudication was not always done by committees which were composed in accordance with SCM regulation 29(2).
64. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
65. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.
66. Construction contracts were awarded to contractors that were not registered with the Construction Industry Development Board (CIDB) in accordance with section 18(1) of the CIDB Act and CIDB regulations 17 and 25(7A).

67. Contracts and quotations were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.
68. Quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
69. Awards were made to providers who are in the service of other state institutions, in contravention of MFMA 112(j) and SCM regulation 44. Similar awards were identified in the prior year and no effective steps were taken to prevent the abuse of the SCM process in accordance with SCM regulation 38(1).
70. The prospective providers list for procuring goods and services through quotations was not updated at least quarterly to include new suppliers that qualify for listing, and prospective providers were not invited to apply for such listing at least once a year as per the requirements of SCM regulation 14(1)(a)(ii) and 14(2).
71. The municipality did not implement a SCM policy as required by section 111 of the MFMA.

Human resource management and compensation

72. An acting Senior Manager was appointed for a period exceeding six months, in contravention of section 56(1)(c) of the MSA.

Expenditure management

73. Money owing by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA.
74. Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Revenue management

75. An adequate management, accounting and information system which accounts for revenue and debtors was not in place, as required by section 64(2)(e) and 97(h) of the MFMA.
76. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) and 97(e) of the MFMA.

Asset management and liability management

77. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
78. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.
79. Capital assets were permanently disposed without the approval of the council, as required by section 14(2)(a) of the MFMA and Municipal asset transfer regulation 5.
80. An effective system of internal control for liabilities was not in place, as required by section 63(2)(c) of the MFMA.

Conditional grant

81. Quarterly reports were not submitted to the transferring national officer and the National Treasury on municipal performance for the quarter against the targets stipulated in the infrastructure performance framework, within 30 days after the end of each quarter, as required by section 11(2)(c)(ii) of the (DoRA).
82. The municipality did not submit the evaluation to the transferring national officer within two months after the end of the financial year, as required by section 12(5) of the DoRA.
83. The municipality did not timeously submit project registration forms, for projects it intends implementing in the financial year 2013-14, to the national department of Cooperative

Governance and Traditional Affairs (CoGHTA), as required by the Division of Revenue Grant Framework, *Gazette No.35399*.

84. The municipality did not submit, within 10 days after the end of each month, its monthly expenditure reports to the national department (CoGTA), as required by the Division of Revenue Grant Framework, *Gazette No.35399*.
85. Unspent conditional grant funds not approved by the National Treasury for retention, were not surrendered to the National Revenue Fund, as required by section 21(1) of the DoRA.

Internal control

86. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

87. The accounting officer does not perform adequate review and monitoring of the financial and performance reporting. This has resulted in the annual financial statements and the annual performance report containing material misstatements.
88. The action plan developed by the municipality to address internal and external audit findings is not adequate to ensure that root causes that resulted in the findings are resolved.

Financial and performance management

89. The municipality did not have a proper record management system to ensure the availability of all financial and performance management information.
90. The accounting officer did not adequately review and monitor compliance with laws and regulations resulting in irregular, fruitless and wasteful and unauthorised expenditure.

Governance

91. The audit committee did not ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.

Auditor-General

Polokwane

10 December 2013



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence